

July 14, 1999

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Trade Facilitation

Negotiating Objective and Proposed Approach **for Advancing the WTO's Contribution to** **Trade Facilitation**

Communication from the United States of America

Proposal

Negotiations shall aim at strengthening and expanding existing rights and obligations and simplifying and streamlining the trade facilitation environment through: clarifying and making more transparent the procedural requirements necessary for trade under the covered Agreements; enhancing efficiencies, including through providing for the rapid release of goods from the custody of government authorities such as customs administrations. Negotiations shall complement and expand upon existing provisions in the WTO related to trade facilitation while avoiding duplication of work underway in other fora, with the result being an Agreement on the publication and administration of trade and investment regulations, and formalities connected with importation and exportation.

WTO Members recognize that work in this area will result in systemic improvements that will, in particular, enable less advanced economies, and small and medium sized enterprises in all WTO Members to participate effectively in the global economy. To this end, an integral element of the negotiating plan shall be an operational program of assistance in conjunction with other International Organizations in this field that will run concurrently with the negotiations, designed to ensure effective implementation.

Principal Stages of the Negotiating Process

1. An examination of Article VIII (*Fees and Formalities connected with Importation and Exportation*) and Article X (*Publication and Administration of Trade regulations*) of the General Agreement on Tariffs and Trade 1994, to determine to what extent existing disciplines can be strengthened and streamlined, including in terms of their applicability to all covered Agreements.
- Negotiators shall complete by December 1, 2000 an identification and assessment of various specific measures through which GATT Articles VIII and X are implemented, drawing from experiences of members, along with an identification and assessment of measures implementing relevant elements of all covered Agreements which provide enhanced transparency in procedures related to trade transactions and provide enhanced efficiency in the physical movement of goods by

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allowing the rapid release of such goods from government authorities to traders.

2. An examination of existing programs of assistance and a needs assessment to improve the basic trade facilitation environment of all WTO members.
 - Concurrently, negotiators shall complete by December 1, 2000, a survey focused on the adequacy of institutional systems and administrative measures providing transparency to the private sector and allowing for efficiency in the physical movement of goods as related to the release of goods from the customs of government authorities after importation. The survey will also include an identification and assessment of needs. In conducting this survey, Members shall, as appropriate, consult other relevant institutions in order to ensure a collaborative effort with such organizations, including the World Bank, the IMF, the World Customs Organization, UNCTAD, and others.
3. During the first phase of work, provision shall be made for the Negotiating Group to consult as appropriate through symposia or other means to ensure that the Agreement under development and the technical cooperation programs are practical and responsive to the needs of WTO members and the private sector.

Second Phase of the Work

1. Not later than March 1, 2001, negotiators shall complete a review of the results of the work program and bring together the results of both steps conducted under the first phase of work and commence the second phase of the work.
 - WTO Members shall produce elements of a draft Agreement on the publication and administration of trade and investment regulations, and on the formalities connected with importation and exportation.
 - The Negotiating Group shall develop a technical assistance program for WTO members that shall include, through the program, an assessment of the assistance and follow through of WTO members in adapting their regimes in accordance with the elements of the draft Agreement.
2. During the second phase of work, provision shall be made for the Negotiating Group to consult as appropriate with traders through symposia or other means on the progress achieved in the program of negotiations.

Rationale

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A disciplined trade transaction environment that is both transparent and efficient is essential to all WTO members and increasingly needed in order to attract investment and expand economic output. Those who have made a commitment to building such rules-based regimes are the most successful in participating in the global economy. The business reality of today means that the economies of all Members function in an era of just-in-time manufacturing and just-in-time distribution. Manufacturers need inputs, consumers need final products, and investors need to know that sourcing plans and production operations will not be subject to interference because of unknown procedural requirements or other difficulties in obtaining rapid customs clearance. The general trade facilitation environment is now often characterized as a critical element of a country's economic infrastructure, because it is so closely linked to economic output and growth.

The operation of successful business enterprises -- whether large or small -- is driven by three factors: quality, price, and delivery. In an era of instant communication and continually increasing efficiencies in the movement of physical goods, the trade transaction environment can easily distort price and delivery. Competing in an environment of greater and faster trade flow, small enterprises in particular are harmed by a lack of openness in trade transaction procedures and especially the sudden unavailability of critical services, or needed inputs that are held for unduly long periods of time before entering the commerce of the WTO member.

The nature of trade flows have changed substantially in the past 10 years, not only in terms of growth, but also in terms of faster time lines. The nature of trade in goods has been altered because for some sectors, product cycles last no more than 12 to 18 months. Such dramatic and inexorable changes have been brought about mainly by two simple developments: First, the revolutionary changes in how information moves; Second, the continually increasing efficiencies in how physical goods move. Within this new trading environment, the regulatory infrastructures of all WTO members -- developed and developing economies alike -- need to more actively keep pace with the technological advancements and developments in logistical practices.

Enhancing the trade facilitation environment -- particularly with regard to improving efficiency and transparency at the level of border transactions -- would not diminish administrative capabilities to ensure effective compliance with customs-related requirements or laws concerning health, safety, and the environment. Indeed, such systemic improvements would enhance the ability of Members to achieve such objectives.

The trade facilitation negotiation the United States envisions will help strengthen the WTO and its ability to respond to the needs and interests of all members. We consider this to be among the most important systemic negotiation that will be launched at the 3rd Ministerial Conference. Improving the trade facilitation environment is a large task, some of which is not appropriate for the WTO to address. The WTO work towards improving the trade facilitation environment should be cast in its true terms: an undertaking of rules-based systemic and institutional reforms, rather than a lengthy complex negotiation involving precise harmonization of specific customs techniques. A manageable agenda, building upon the existing Agreements and experience to date,

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along with an operational program of assistance that is developed and implemented as the negotiations proceed, appears to be the most appropriate way to proceed.